

Heaving

24 FEB 1984

MEMORANDUM FOR: Director of Personnel

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FROM:

Liaison Division  
Office of Legislative Liaison

SUBJECT: First House Post Office and Civil Service  
Committee Hearing on Supplemental Retirement  
(23 February 1984)

SUMMARY: Yesterday the Administration and the Congress, in the person of the House of Representatives, officially joined in battle over the subject of supplemental retirement for new federal employees subject to social security. The lines of disagreement between the two were clearly drawn and both parties, while agreeing that they need to come to some agreement, are not about to do so over the near term. The major issues are how unattractive the new system will be, compared to the existing systems, and what, if anything, will be done to reduce benefits to participants of the existing systems (in our case, the Civil Service Retirement System and CIARDS). The House appears willing to support the existing level of federal employee retirement benefits, or something very nearly the same, while the Administration clearly is driven by a desire to reduce federal retirement costs

1. Attached for your information and use is a complete set of documentation resulting from the subject hearing yesterday. It includes the witness list and prepared statements of all participants. Also included is a summary of the questions and answers, albeit not a complete one. I am afraid, that were exchanged between members of the Committee and the people testifying.

2. It is interesting to note that the testimony of Mr. Devine, Director of the Office of Personnel Management (OPM) did not get through the legislative clearance process within the Office of Management and Budget (OMB) in a timely fashion. In speaking with a House Post Office and Civil Service Committee staffer on Wednesday afternoon, the day before this hearing, he stated that the Committee had not received Mr. Devine's testimony and that the Committee was being told by OPM that it (the testimony) was being held up by OMB. In fact, Mr. Devine apologized to the Committee at the beginning of his testimony for not delivering his testimony on a timely basis (48 hours prior to the hearing) and acknowledged that he had had some problems with OMB.

3. As a result of this exchange, I have compared the draft testimony that we received from OMB with the testimony actually given by Mr. Devine yesterday. While the bulk of the changes are editorial in nature, a few substantive changes do seem to have been made. You will note at the top of page 5 of the final statement actually given by Mr. Devine that the first six lines have been added. They amplify on the point that the unfunded liability of current federal retirement systems is inconsistent with the law (ERISA) that requires private sector companies to fully fund their retirement plans on a current basis, and that if the government were held to the same private sector retirement law, that the current retirement costs for the federal government would be over 55% of payroll costs for a full 40 years, as opposed to something on the order of 14% in the private sector. At the top of page 10 of the final testimony, OMB added the phrase "...as well as the persons covered by the foreign service and CIA retirement systems,...". Further down on page 10, in the fourth line of the FUNDING paragraph, OMB has added the phrase "...on a dynamic basis..." after the number \$515 billion. While this may appear insignificant, it has great meaning to a budgeteer.

4. The principal value of the hearing, it seems to me, was twofold. First, it was knowing formally for the first time where the Administration was coming from on the issue of supplemental retirement. Secondly, it was the exchanges that took place between Chairman Ford (D,MI) and Mr. Devine and Congressman Frank Wolf (R,VA) and Mr. Devine. Both Members of the Committee were strongly pro-federal employee in their statements and questions, while Mr. Devine was strongly pro-"we need to reduce the cost of federal retirement programs because they are too great a burden on the taxpayers compared to retirement costs in the private sector". In his opening remarks, the Chairman stated that he viewed existing federal retirement benefits for current (pre 1 January 1984) employees as a part of a binding contract that existed between the federal government and its employees that could not be breeched because there has been performance on the part of the employees, and that unless his recollection of his "Contracts 101" course in college was faulty, a contract in fact existed. The attached question and answer summary will give you an additional flavor of their exchanges.

5. I am also attaching a copy of Mike Causey's column in this morning's Washington Post because it is, in my judgment, a fairly accurate summary of some of what transpired yesterday.

6. The next scheduled hearing on this subject by this committee is 01 March 1984. At least three more are planned during March. I will attend and report on them as appropriate

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Attachments:  
As stated

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